

Remarks on Consumer Financial Protection

October 9, 2009

Patricia, thank you so much for sharing your story and doing such a wonderful job. Good afternoon, everybody. Before I start with the—my remarks I want to acknowledge some people who've been working diligently on this issue, in some cases for years. First of all, our Secretary of the Treasury, Tim Geithner, is here. Christina Romer, the Chair of—there she is—of my Council of Economic Advisers, is here; Senator Danny Akaka from Hawaii; Representative Steve Driehaus of Ohio; Representative Walt Minnick of Idaho; Representative Paul Kanjorski of Pennsylvania; Representative Al Green of Texas; Karen Mills, our outstanding Administrator of the Small Business Administration; Sheila Bair, who's been doing a heroic job trying to deal with the banking situation as Chairman of the FDIC; Mayor Michael Nutter of Philadelphia; and my national economic adviser, Larry Summers.

And finally, we've got some special guests, some of the finest attorney generals who are fighting against consumer fraud and have been dealing with some of the consequences of the issues that we're discussing here today, I'm proud to have them here: my former seatmate in the Illinois State senate, Attorney General Lisa Madigan; Andrew Cuomo of New York; Martha Coakley of Massachusetts; and Roy Cooper of North Carolina. Please give them all a big round of applause.

Now, for the last several months, this administration's been working with Congress to reform an outdated system of financial regulations and lax oversight that helped lead to last year's crisis. And I want to thank some people here who are working tirelessly on this issue—first of all, Chairman Chris Dodd of the Senate Banking Committee, Chairman Barney Frank of the House Financial Services Committee, Richard Shelby, also of the Senate Banking Committee—for the leadership and enthusiasm that they have shown throughout this process.

Now, part of our reform effort involves putting in place new safeguards that would help prevent the irresponsibility and recklessness of a few from wreaking havoc on our entire financial system. We want to close gaps in regulation, we want to eliminate overlap, and we want to set rules of the road for Wall Street that make fair dealing and honest competition the only way for financial firms to win and prosper.

But a central part of our reform effort is also aimed at protecting Americans who buy financial products and services every day, from mortgages to credit cards. It's true that the crisis we faced was caused in part by people who took on too much debt and took out loans they couldn't afford. But my concern are the millions of Americans who behaved responsibly and yet still found themselves in jeopardy because of the predatory practices of some in the financial industry. These are folks who signed contracts they didn't always understand offered by lenders who didn't always tell the truth. They were lured in by promises of low payments and never made aware of the fine print and hidden fees.

And Secretary Geithner and I just finished meeting with some of these Americans who've joined us here today. And you've already heard from Patricia, who was forced to pay thousands of dollars in interest on a \$550 payday loan. And we also had a chance to hear from Susan Chapman, who had excellent payment history until she was contacted by a broker who told her that she could lower the monthly payments on her mortgage. Instead, the loan they sold her ended up increasing her debt, and her principal has now gone up \$20,000.

We talked to Karen Cappuccio, who is still fending off foreclosure because her mortgage company duped her into taking out two expensive loans when they had originally promised her one low, fixed-rate mortgage. We talked to Maxine Given, whose bank hit her with four separate overdraft charges because of one mortgage check that they ended up rejecting the very next day. And I should add, by the way, that this is a CPA that we're talking to here. So if it's happening to her, if it's happening to Maxine, then imagine what the rest of us who can barely add are dealing with here. We talked to Andrew Giordano, whose bank made a mistake that cost him \$800 in overdraft fees. And when he caught their mistake, the bank only refunded part of the fees.

As we've seen over the last year, abuses like these don't just jeopardize the financial well-being of individual Americans; they can threaten the stability of the entire economy. And yet the patchwork system of regulations we have now has failed to prevent these abuses. With seven different Federal agencies each having a role, there's too little accountability, there are too many loopholes, and no single agency whose sole job it is to stand up for people like Patricia, Susan, Maxine, Andrew, and Karen; no one whose chief responsibility it is to stand up for the American consumer and for responsible banks and financial institutions who are having to compete against folks who are not responsible.

So under the reforms we've proposed, that will change. The new Consumer Financial Protection Agency that I've asked Congress to create will have just one mission: to look out for the financial interests of ordinary Americans. It will be charged with setting clear rules of the road for consumers and banks, and it will be able to enforce those rules across the board.

This agency will have the power to make certain that consumers get information that is clear and concise—in plain language—so they can compare products and know exactly what they're getting themselves into. It will ensure that banks and other firms can't hide behind these ridiculously confusing contracts, pages and pages of fine print that nobody can figure out. It will have the ability to enforce and build on the credit card reforms we passed earlier this year, so that consumers aren't hit with unfair rate hikes and penalties or hidden charges. It will require brokers to look out for the interests of families if they give advice about mortgages. And it will ensure transparency and fair dealing for other financial products, like bank overdraft services and payday loans.

In a financial system that's never been more complicated, it has never been more important to have a watchdog function like the one we've proposed. And yet, predictably, a lot of the banks and big financial firms don't like the idea of a consumer agency very much. In fact, the U.S. Chamber of Commerce is spending millions on an ad campaign to kill it. You might have seen some of these ads, the ones that claim that local butchers and other small businesses somehow will be harmed by this agency. This is, of course, completely false, and we've made clear that only businesses that offer financial services would be affected by this agency. I don't know how many of your butchers are offering financial services. *[Laughter]*

Contrary to what some have argued, this agency would not restrict consumer choice and innovation. Nothing could be further from the truth. In the past, a lack of clear rules led to innovation of the wrong kind: The firms that did best were the ones who did the best job of hiding the real cost to consumers. We don't want them competing by figuring out how much they can fool ordinary Americans. By contrast, the consumer agency we're proposing would set ground rules so that firms don't have to compete to confuse families, but they have to compete to give them better choices. This will also help small business entrepreneurs who often rely on credit cards and home equity loans to finance their startup businesses.

All this hasn't stopped the big financial firms and their lobbyists from mobilizing against change. They're doing what they always do, descending on Congress, using every bit of influence they have to maintain the status quo that has maximized their profits at the expense of American consumers, despite the fact that recently a whole bunch of those same American consumers bailed them out as a consequence of the bad decisions that they made. And since they're worried they may not be able to kill this agency, they're trying their hardest to weaken it, by asking for exemptions from this agency's rules and enforcement, by fighting to keep every gap and loophole they can find.

They're very good at this, because that's how business has been done in Washington for a very long time. In fact, over the last 10 years, the chamber alone spent nearly half a billion dollars on lobbying—half a billion dollars.

And the stories we heard today, they remind us that the American people can't afford business as usual any longer. These Americans can't afford high-priced lobbyists to argue their case. They're counting on us to be their advocates, to be their voice, to restore a sense of responsibility from Wall Street to Washington. That's why we need a Consumer Financial Protection Agency that will stand up not for big banks, not for financial firms, but for hard-working Americans. And that's why we need regulatory reform that will reward innovation and competition instead of shortcuts and abuses. That's why we can't let special interests win this fight.

We've already seen and lived the consequences of what happens when there's too little accountability on Wall Street and too little protection for Main Street, and I will not allow this country to go back there. It is time for us to move forward. It is time for real change. And I'm confident that we're going to get it done, with the help of all the people who are here today, and, most importantly, with the help of the American people, who are going to demand a better deal from their financial services.

Thank you very much, everybody. Thank you.

NOTE: The President spoke at 2:37 p.m. in the East Room at the White House. In his remarks, he referred to Patricia Nelson, retired nursing home aid, who introduced the President; Lawrence H. Summers, Director, National Economic Council; Susan Chapman, administrative assistant, College of Staten Island; Karen Cappuccio, Transportation Security Administration supervisor, Lehigh Valley Airport; Maxine Given, senior director of finance and administration, The Fund for John Hopkins Medicine; and Andrew Giordano, retired police officer, Locust Point, MD.

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Names: Akaka, Daniel Kahikina; Bair, Sheila C.; Cappuccio, Karen; Chapman, Susan; Coakley, Martha; Cooper, Roy; Cuomo, Andrew M.; Dodd, Christopher J.; Driehaus, Steve; Frank, Barney; Geithner, Timothy F.; Giordano, Andrew; Given, Maxine; Green, Al; Kanjorski, Paul E.; Madigan, Lisa; Mills, Karen G.; Minnick, Walt; Nelson, Patricia; Nutter, Michael A.; Romer, Christina D. ; Shelby, Richard C.; Summers, Lawrence H.

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